I already pay for most of my pension through my regular contributions.
You may have received a postcard from constituents that states members are paying most of the cost of their pension because they are comparing their contributions to the so-called “normal cost”. It is not accurate that members pay for most of their benefits through their contributions.

At the current 7.5 percent investment return assumption, the “normal cost” for a new state employee or teacher (accruing benefits at the lowest rate) is approximately 11.5 percent of salary, but the “normal cost” for a Schedule A employee is approximately 16 percent for state employees and 18.5 percent for teachers. However, the more accurate way to assess cost is to look at the cost of benefits using the state’s actual investment rate of return. Using the plan’s actual investment return for the last 10 years (5.74 percent), the “normal cost” for Schedule A employees is approximately 26 percent of salary for state employees and 30 percent for teachers.

State employees pay 8.75 percent and teachers pay 9.5 percent. This means employees and teachers pay much less than half of the true cost of their benefits.

Why are you taking away what I have earned?
RIRSA does not take away any benefits that have been earned. If you have earned it as of June 30, 2012 it is yours. All benefits earned as of June 30, 2012 are being protected for service after July 1, 2012. The proposed legislation is designed to provide a similar level of benefits to the current system.

But the proposal says I will only be eligible for 40 percent of my pension.
Active employees with the most service are the least impacted. If a 28-year employee has accumulated a 57 percent benefit, he or she will keep this 57 percent benefit and earn an additional one percent accrual each year under the new defined benefit formula. There is no “cap” on pensions at 40 percent. In addition, the employee will receive six percent annual contributions to the defined contribution plan. See Treasury website for examples.

Wasn’t this crisis manufactured by lowering the investment rate of return and raising the mortality rate?
No, upon the recommendations of actuaries and investment professionals, the Retirement Board, by a nine-to-six vote, adopted a new set of assumptions that are more in line with the reality of the system. Using unrealistic assumptions to lower contributions and mask the actual scope of the problem is in no one’s interest, especially public employees and retirees who deserve a secure retirement, which can only be assured if the system uses honest assumptions and numbers.

The actual rate of return for the past 10 years is 5.74 percent and for the past five years 1.52 percent. For the first quarter of fiscal year 2012, the investment rate of return is -3.39. The state’s current investment rate of return target is 7.5 percent.

The retirement system is currently 48 percent funded. Even if the state returns to its old assumptions for both mortality and rate of return, the state employee and teacher plans would be only 54 percent funded, still well below what is generally accepted as healthy.

Doesn’t this plan hurt current employees?
The new plan has many features that make it better for active employees compared to the current system. For example:

- If employees leave state service, their defined contribution account will continue to grow. Today when you leave state service your defined benefit pension is frozen and stops growing.
- Without reform, the fund could run out of money in as few as 30 years. If the reform passes, the fund will recover and the risk of it running out of money is nearly eliminated.

- With reform, contributions from current employees will fund their own retirements, rather than the unfunded liability of older and retired employees. Currently, two-thirds of an employees' weekly pension contribution goes to pay the unfunded liability, not their own retirement benefit.
- Vesting is reduced from 10 years to five years.
- All money deposited in the defined contribution plan (six percent annually), goes into a retirement account that cannot be touched or changed by future legislative or political action.

Why aren't the judges doing their part?
All judges will be subject to the same COLA rules, including limiting COLAs to the first $35,000 of pension payments. Currently, many judges receive a COLA on their entire pension. Active judges will contribute 12 percent to their pension, up from zero or 8.75 percent in some cases.

Why do you have to freeze the COLA?
Unfortunately the COLA accounts for about 45 percent of the unfunded liability and must be frozen until the system is healthy. It is too costly to maintain in its current form. If the markets improve, the COLA could come back much faster. It is important to remember that about 75 percent of public employees in the retirement system are eligible for Social Security, which also has a COLA.

Also, most municipal plans will have no or limited COLA suspensions because those pension systems are better funded. COLA for MERS retirees, who on average receive the lowest pensions, will be suspended for the least amount of time. It is also important to remember MERS general employees are in Social Security and receive a Social Security COLA, according to the League of Cities and Towns.

What are you doing for those earning the lowest pensions?
The number of employees who have worked a career in public service, and also have a smaller pension is minimal.

The average pensions are: MERS general, $13,800 (plus Social Security and Social Security COLA coverage); state employees, $26,000 (plus Social Security and Social Security COLA coverage); MERS police and fire, $29,000 (Social Security and Social Security COLA coverage for two thirds of the units); teachers, $42,000 (Social Security coverage for approximately half). COLA for MERS retirees, who on average receive the lowest pensions, will be suspended for the least amount of time and in most municipalities the COLA will not be suspended at all.

I am eligible to retire. What are my options?
You may retire at any time or continue in your employment. There is no change to your retirement age or accrued benefits. All members who choose to stay in employment will keep accruing pension benefits under the new accrual rate and also receive defined contributions under the new defined contribution plan.

I am nearing retirement, what are my options to retire? How can I transition?
Provisions in RIRSA accommodate those eligible to retire and those close to retirement.

Those closest to retirement

Members with 10 plus years of service may retire at their current retirement age, receiving their accrued their benefits as of June 30, 2012.

The benefit is calculated based on service and average compensation as of June 30, 2012.

There are no additional defined benefit accruals under this option after June 30, 2012, but there is also no actuarial reduction to the benefit. Contributions to the defined contribution account continue to accumulate after July 1, 2012

Within 5 years of retirement with 20+ years of service

Members who are within 5 years of retirement but have yet to reach full retirement age and have 20 or more years of service may retire at any time with an actuarially reduced benefit.

RIRSA provides flexibility and choice; those who do not choose to work until their Social Security retirement age can choose which retirement age option best suits their needs.

Can I contribute more to my defined contribution plan?
Yes, within IRS allowable limits. The IRS limit for elective contributions this is approximately $17,000 for 2012.

I am too old and won't have enough time to earn enough through the defined contribution plan.
Because RIRSA preserves all pension benefits that have been earned, those with the most service are the least impacted. This design change means older employees will receive significant income replacement under the defined benefit plan and will not need to rely as much on significant defined contribution benefits. Also, the defined contribution account will continue to grow even after the employee retires.

I don't get Social Security. I am losing out.

- Most employees receive Social Security benefits: all State Employees (except State Police), all MERS municipal general employees (according to the League of Cities and Towns), two-thirds of municipal police and fire units, half of teachers, and all judges.
- Under RIRSA, public employees not covered by Social Security will receive a defined benefit plan plus an enhanced defined contribution totaling ten percent of salary for teachers and six percent for police and fire. This design is intended to provide public employees not participating in Social Security with a retirement replacement income level of 70-80 percent of final average salary.
- It is also important to note, employees who do not contribute to Social Security have an opportunity to save more toward retirement because they receive approximately 6 percent more in their pay.